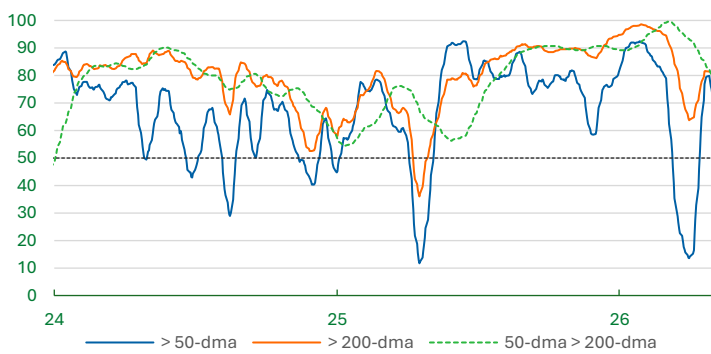


AI Boom lifts some boats

Global Market Performance Indicator

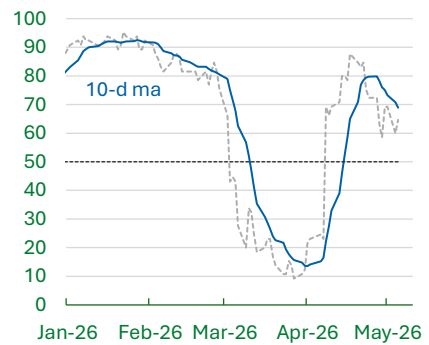
(% of 65 global indices, 10-d ma)



Source: Investing.com, Watt Strategic Economic Advisors

GMPI

(% of 65 global indices)



Source: Investing.com

Overview

WSEA's Global Market Performance Indicator (GMPI) shows that the global market rebound seemed to run out of steam around mid-April. We still have over 60% of global markets that are above their 50-dma, but this is down from almost 90% in the middle of last month. Markets, overall, seem to still reflect generally positive sentiment, but there are a few signs that not all is well.

In particular, there are now more markets where the 50-dma has fallen below the 200-dma. These include, Australia, Germany, Hong Kong, New Zealand, Philippines, Kuwait, the UAE and a few others. Each market has a story; some are easier to tell. Kuwait and UAE are affected by regional issues, such as the Iran war. There are simmering tensions even as the ceasefire continues. Germany is getting hit by the ongoing interruption of the global oil transportation system, signs of weakening economic activity, and some exposure to global trade tension/trade policy uncertainty. Possible ECB rate hikes are not helpful either. Some of these markets might find that "Death Cross" to be only temporary. We will see, but it is also not impossible that a few more countries might see similar crossovers. Stay tuned.

AI Booming

That said, what has received a lot of attention of late are the markets that are on fire. For example, all of the US markets — except the DJIA — have been soaring. Interestingly, as with global markets, these indexes also seemed to receive a jolt around 20 April. Though the DJIA has since traded sideways, the S&P 500, Nasdaq, Philadelphia Semiconductor index, and (belatedly) the Russell index all resumed strong upswings.

The common thread among these winners does seem to be the ongoing AI boom, particularly as stock markets in South Korea and Taiwan have also soared to new heights.

But AI is not lifting all boats ...

However, amid the focus on those markets buoyed by the AI capex boom, it is very intriguing that upswings in many global market paused around 20 April and did not start anew. This list includes Canada, (the aforementioned DJIA), UK, Italy, Austria, Sweden, Switzerland, Czechia, Poland, Turkey, Russia, Chile, Brazil, Hong Kong, Australia, Kuwait, South Africa. A rather long list spread across several geographies.

Some of these markets have only paused, or traded essentially sideways since, while others have lost ground with more vigour and are among those that have seen the 50-dma fall below the 200-dma.

That more equity markets are falling below their 50-dma, however, does suggest that there are some growing concerns about the fallout from the lingering tensions in the Middle East and ongoing uncertainty about the opening, or not, of the Strait of Hormuz. On that point, we no longer have reliable data on transit through the Strait. The process of collecting data on shipments through the straight has been a (non-lethal) casualty of war.

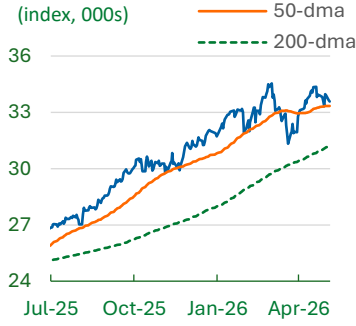
... Instead, some markets seem to reflect greater economic peril

What is clear, however, is that things are still far from normal, and that it is unclear when things might return to normal, if they ever will. The longer the shutdown continues, the greater the economic peril.

Compounding concerns, many central banks face difficult challenges: rising inflation challenges along with stiffer economic headwinds. Some central banks have responded. The RBA has raised its policy rate to 4.35% (most recently on 5 May), while other central banks might follow them, with particular focus on the ECB. Hence, some global equity markets, notably those not boosted by AI, the outlook for earnings has become murky and the interest rate backdrop looks to be less accommodating than it might have been. Hence, the economic backdrop is not bad, but headwinds are getting stronger and some nervousness is creeping back in.

Key markets

Canada: S&P/TSX



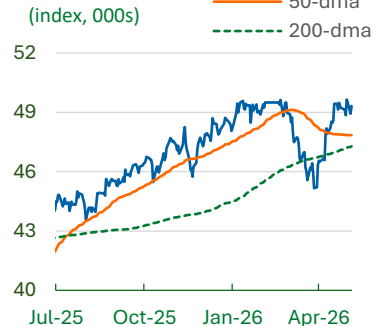
Source: Investing.com

US: S&P 500



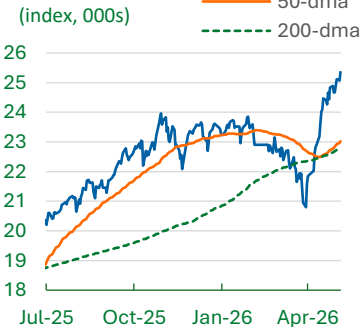
Source: Investing.com

US: DJIA



Source: Investing.com

US: Nasdaq



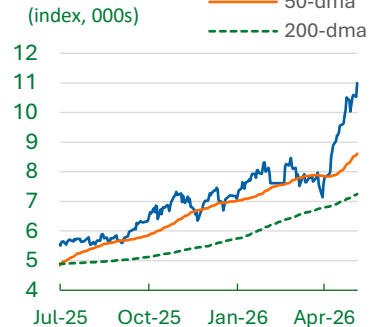
Source: Investing.com

US: Russell 2000



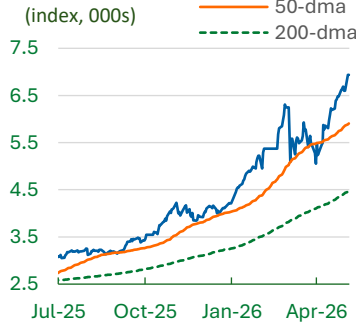
Source: Investing.com

US: PHLX SOX



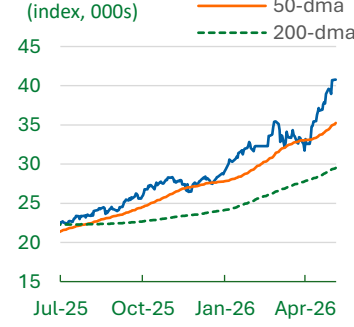
Source: Investing.com

South Korea KOSPI



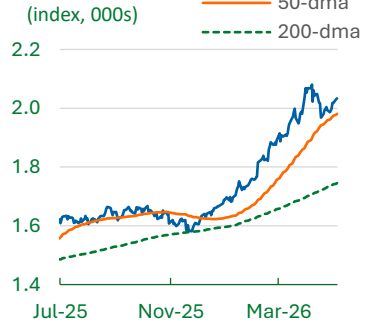
Source: Investing.com

Taiwan: Taiex



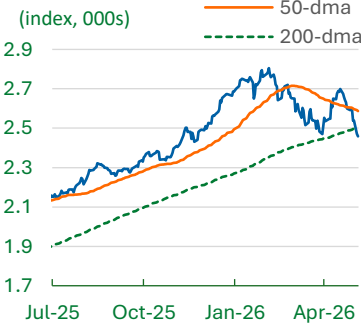
Source: Investing.com

Norway: OSEBX



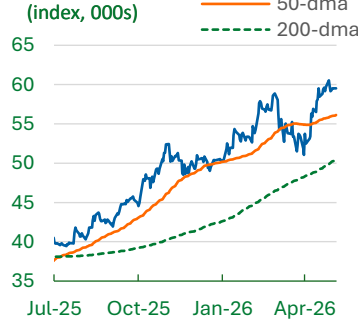
Source: Investing.com

Czech: PX50



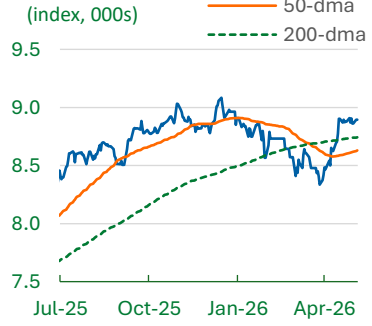
Source: Investing.com

Japan: Nikkei



Source: Investing.com

Kuwait: All Share



Source: Investing.com

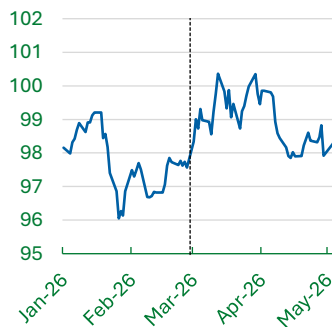
Other indicators to watch

Brent crude oil price



Source: Investing.com

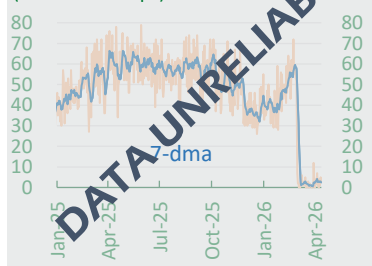
USD Index



Source: Investing.com

Straight of Hormuz:

Daily transit calls — Tankers



Source: IMF PortWatch

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